



ANNUAL REPORT 1953

UTAH CONSTRUCTION COMPANY

Letter to the Stockholders

Cover shows a night shift operation with a 6½ cubic yard shovel loading overburden into a 50-ton truck in an open pit iron ore mine at Iron Mountain in Iron County, Utah. Utah Construction Company is engaged in stripping and mining this property for the Colorado Fuel and Iron Corporation.

At right: Looking out from the portal of the Lark Tunnel which was constructed for Kennecott Copper Corporation. Driving was started in the fall of 1948 and the tunnel was completed early this year.



EARNINGS

The fiscal year which ended October 31, 1953 was one of the best in the long history of our company. The company and its consolidated subsidiaries earned a net profit after taxes of \$2,110,307 which was equal to \$12.02 per share. This compared with \$1,915,818 or \$10.92 per share earned in the last fiscal year. The gain in net profits of \$194,489 resulted primarily from a substantial improvement in earnings from construction contracts. Profit margins were substantially higher than those experienced last year due largely to the fact that in 1952 our construction earnings were depressed by heavy losses on a large contract in California. This contract was completed shortly after the close of the last fiscal year and had only a minor effect on our earnings for 1953. The resulting restoration to normal profit margins for construction work more than offset the decline that we experienced in mining profits which were below those of the preceding year because of a combination of lower export shipments and rising costs. While mining profits were below those of 1952 they nevertheless were at satisfactory levels and continue to represent an excellent return to the company on its investment.

Our profits as reported take no account of your company's share of earnings of those subsidiary or affiliated companies whose operating results are not consolidated with those of the parent company. However, based on reports furnished by these companies, some of which are unaudited, your company's share of these subsidiary and affiliated earnings would have exceeded \$800,000. In keeping with past practice, these earnings will not be included in our statements until they are actually received as dividends or other disbursements.

FINANCIAL POSITION

The company is in a strong financial condition. Our net working capital at the close of the fiscal year totaled \$6,157,791, which was fully adequate for the volume undertaken. At the close of the year the company through its banking facilities had available, but not in use, a revolving credit of \$3,000,000.

INVESTMENTS IN AFFILIATED COMPANIES

During the year the company increased its net investments in affiliated companies by \$2,104,897 to a total of \$4,353,232. A major portion of this increase resulted from our investment in affiliates concerned with the mining, selling, and shipping of ore from Marcona iron ore deposit in southern Peru. Your company, in association with Cyprus Mines Corporation, has acquired a major interest in the following companies:

- (1) Marcona Mining Company, a Nevada corporation, holding a 30 year concession to mine the Marcona iron ore deposits. This company mines the ore and sells it at the Peruvian port near the mine.
- (2) Cia San Juan, S. A., a Panamanian corporation, which buys iron ore from Marcona Mining Company at the Peruvian port and in turn sells the purchased ore to steel mills in the United States or elsewhere. This company arranges for ship transportation and serves as the sales organization.
- (3) Associated Ocean Freight Services, a Nevada corporation, which operates in the United States in a capacity of a freight broker and service organization to associated companies.

The investments in these new affiliates give promise of providing an excellent return to your company. The companies have made a good beginning, and the long range outlook is favorable since the Marcona iron ore deposit is substantial in size and contains high grade ore which can be produced at relatively low cost. With a continued reduction in the reserves of high grade iron ore in the United States, there is every indication that the Marcona deposit will prove to be a very valuable asset in the years to come.

PERMANENT ASSETS

At the close of the fiscal year the company had invested in permanent assets a total of \$7,647,993. This was a decline of \$1,640,908 from the close of the last fiscal year which resulted from our depreciation and amortization charges exceeding the amount of our investment in new permanent assets during the year.

LONG TERM DEBT

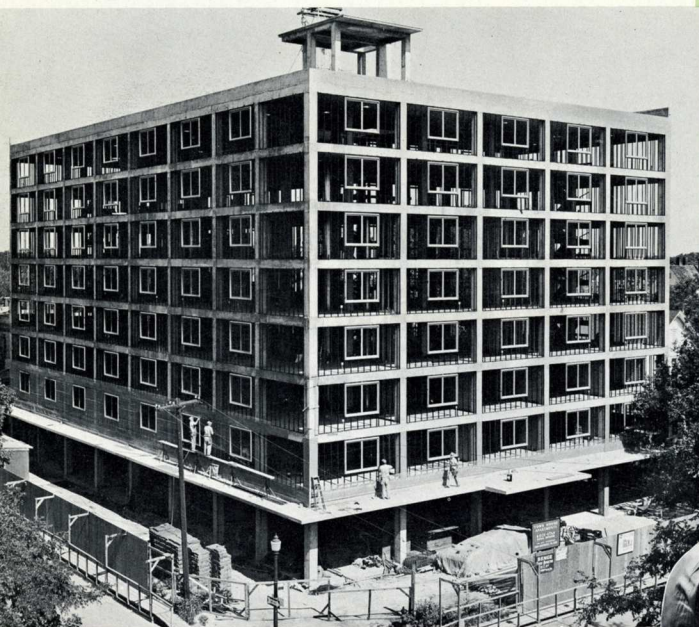
Our long term debt was reduced \$726,547 during the year and stood at \$2,941,467 at the close of the period on October 31, 1953. Of the total long term debt, \$2,400,000 was due to banks. Our five-year bank loan agreement expires June 16, 1957. This provides for a revolving credit of \$3,000,000 and a term loan in the original amount of \$3,000,000. The revolving credit can be borrowed and repaid at will during the life of the agreement, but none of the credit was in use at the close of the year. The term loan calls for installment payments of \$300,000 annually with a final payment of \$1,800,000. The initial installment was paid when due and the second installment of \$300,000 is carried as a current liability.

DIVIDENDS

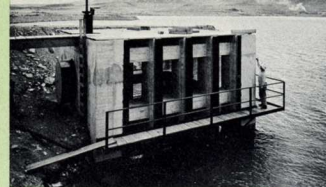
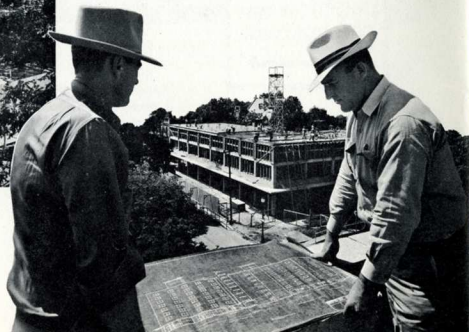
Dividends paid during the fiscal year totaled \$702,030, equal to \$4.00 per share. In the preceding fiscal year the company distributed \$2.50 in cash and 1/20th of a share of Permanente Cement Company stock for each share of Utah Construction stock outstanding.



Again in 1953 Utah Construction Company was employed by Columbia Iron Mining Company, a subsidiary of United States Steel Corporation, to perform stripping work at its iron ore properties in the vicinity of Cedar City, Utah. Pictured above is the Desert Mound pit where we have been working for several years. This year Columbia opened up its neighboring Burke property and awarded us the contract to perform the stripping. A 10-yard shovel was purchased for this work.



Henry C. Beck Company and Utah Construction Company joined together in the formation of a new company known as Town House, Inc., which will own and operate an eight-story apartment house which is being built in Topeka, Kansas. Construction work is being performed by a joint venture of Beck and Utah. The building will contain 126 apartments and it was financed under Section 207 of the National Housing Act.



Above is pictured the dewatering box at the tailings pond which was built for the Kennecott Copper Corporation a short distance from Garfield, Utah.

Right, a view of the zinc fuming plant at Corpus Christi, Texas, which was completed during this year for American Smelting and Refining Company.



NET WORTH

Our net worth increased during the year by the sum of \$1,408,277. This increase, resulting from retained earnings, brought our net worth to \$17,696,734 on October 31, 1953. This made the book value equal to \$100.83 per share in comparison with \$92.81 per share at the close of the last fiscal year.

PERSONNEL

The company has inaugurated two plans for its permanent employees. The Group Insurance and Hospitalization Program provides health, accident, and life insurance. 369 employees are members of this plan, and during the past year the plan paid 336 claims affecting 201 employees. The cost of this plan to the company was \$53,605, equivalent to \$0.15 a share after tax.

The Utah Construction Company Retirement Plan Based on Profit Sharing had a gain of 19 members during the year, bringing the total membership to 224. One member retired during the year. The company's contribution was \$220,699, equivalent to \$0.60 a share after tax.

CONCLUSION

The company continues to grow and prosper. The progress of the past year has been made possible by the confidence placed in us by the many fine companies and public agencies which have placed their construction work in our hands, and by the hard work and devotion to duty on the part of our many employees without whose loyal and skillful support we could not have succeeded.

To all who entrust us with their work, we are profoundly grateful and pledge ourselves to give par performance wherever and whenever it is humanly possible.

Construction work, along with general business, has continued at very high levels for a long period of years. It now appears that construction volume may decline and that the situation in the industry may become increasingly competitive. If this change occurs, it would of course affect profits adversely. Fortified by a strong organization, a well established position in the industry, and a sound financial condition, your company is well prepared to make the best of this situation if it arises.

Respectfully submitted,

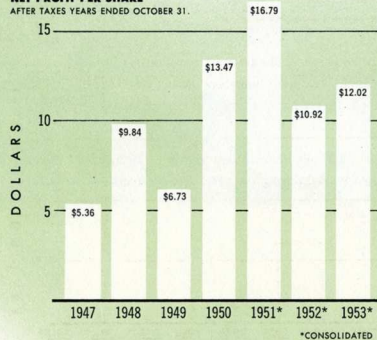
Marriner S. Eccles

MARRINER S. ECCLES
Chairman of the Board

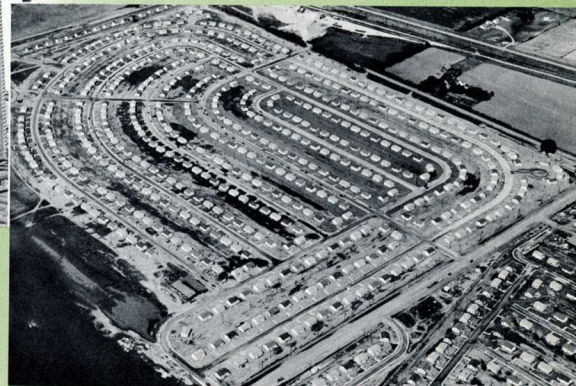
L. S. Corey

L. S. COREY
President

NET PROFIT PER SHARE AFTER TAXES YEARS ENDED OCTOBER 31.

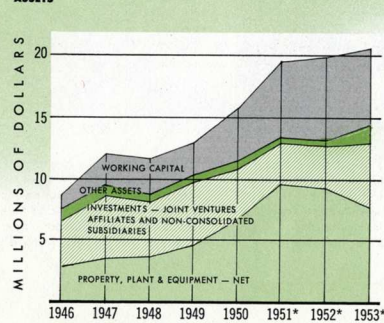


NET WORTH PER SHARE

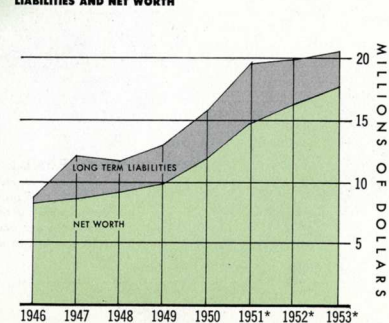


Aerial view of a portion of the homes built at Wichita, Kansas, where a housing shortage had been caused by the rapid increase in military production in this area. The site was declared a Critical Housing Area, and Utah Construction Company in association with Henry C. Beck Company constructed over one thousand single family dwellings for four housing corporations.

ASSETS



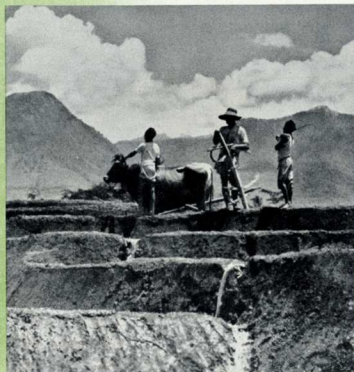
LIABILITIES AND NET WORTH



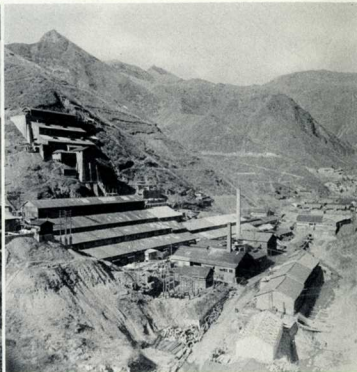
Policy and Expansion

The concentration on private rather than public construction work, the broadening of the geographical scope of our construction and mining operations, and the continued trend toward diversification were the most marked characteristics of our operations during the past year. These developments were in keeping with policies previously established and they contributed to a substantial degree to the favorable operating results set forth in the letter to stockholders.

The year's activities found us again concentrating on private work in preference to public work. This is in keeping with a policy adopted several years ago when inflation and the inability to obtain proper adjustment had made public work unattractive from a profit standpoint. With the decline in the physical volume of private work which started in 1951, many contractors have endeavored to maintain their gross volume by turning to public work which has not decreased in volume. The results have been intense competition in bidding public work and awards of contracts at prices that do not appear attractive to us at this time. However, the possibilities of some reduction in prices and of a further decline in private work may make it desirable to reenter the public field in the future.



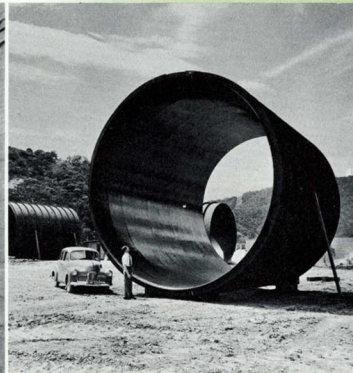
INDONESIA In joint venture with Brown & Blauvelt we are conducting a study on methods of increasing rice production for the Republic of Indonesia. Here in one of the world's most densely populated areas rice, which is the staple food, is produced much as it has been for centuries past.



KOREA Korea has two of the world's largest tungsten mines. To increase production of this vital mineral Korea Tungsten Mining Co., which is owned by the Republic of Korea, has retained Utah Construction Company as a consultant. The mine and mill at Sang Dong are shown above.



AUSTRALIA We hold an interest in Utah Construction Limited which is joint ventured with J. H. Pomeroy & Co. PTY, Ltd. in the construction of the Big Eildon Dam in Australia. Above is pictured the intake tower which is similar in design to the cylin-



drical intake towers at Hoover Dam. The pipe from the intake tower to the power house is one of the largest in the world and was fabricated at the project site from steel imported from Japanese mills.



ALASKA In joint venture with J. H. Pomeroy & Co., Inc. and Bechtel Corporation and others, we have performed over \$27,000,000 of work, most of which has been the building of military installations. The abnormally short operating season in the Far North causes special construction problems.

The company has also achieved geographical diversification. Expansion of our general construction operations in foreign fields has been a highlight of the activity in this phase of our business operations. It is here, in the vast geographical expanse of the undeveloped countries of the world that great opportunities exist—opportunities to contribute to better living and to a sounder business economy for our neighbors and friends around the globe. In keeping with our generally established plan, your company is prepared to go wherever the political and economic conditions are favorable and there is work to be done. Nowhere will our years of experience, our construction know-how, our large inventory of specialized equipment, and our ranks of skilled personnel be more effective than in these more undeveloped areas where we can contribute to the satisfaction of the great need that exists.

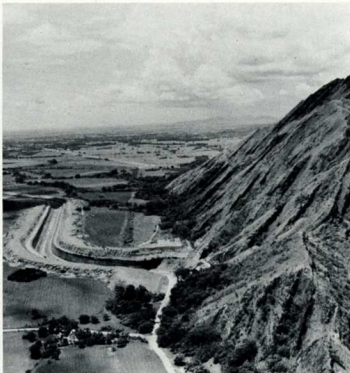
It's a long way from Henderson, North Carolina, to Sang Dong, Korea, and there is little resemblance between Adak, Alaska, and San Juan, Peru. There are many differences among these places but they possess one thing in common—construction work in progress and in which we have an interest. Alone or in joint venture, Utah Construction Company is participating in defense work

in Alaska, iron ore mining in Canada, industrial plant construction in Mexico, mahogany exports from Panama, highway and irrigation projects in Colombia, construction and mining in Peru. Across the Pacific we have been retained as consultants by the Korea Tungsten Mining Co. to advise the methods for increasing the production of tungsten from two large Korean mines. Japanese steel mills are being fed with iron ore from our mines in Canada and in Utah, and our people are participating in a study to increase the production of rice in heavily populated Indonesia. We have an interest in a large defense contract on the island of Guam and in Utah Construction Limited which is constructing the Big Eildon Dam in Australia.

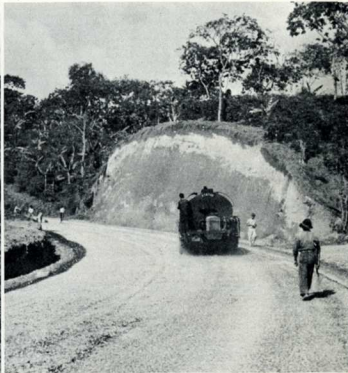
In general, these policies which we have been pursuing are the natural extension of the growth and expansion which we have experienced at an accelerated rate in recent years. The advantages of these policies have been clearly shown in our operating results for the past three years and through diversification of our activities we are today less vulnerable to adverse changes in any one industry or in any one locality.



MEXICO Compañía Utah, S. A., a wholly owned subsidiary, completed a zinc fuming plant at Chihuahua. This modern refinery was built for Compañía Metalurgica del Norte S. A., a subsidiary of American Smelting and Refining Company for whom we have built other zinc fuming plants at Selby, California, and Corpus Christi, Texas.



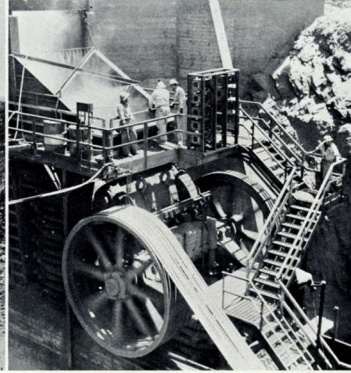
COLOMBIA Utah Co. of the Americas, a wholly owned subsidiary company which does most of our South American work, obtains the favorable tax treatment accorded a Western Hemisphere Trade Corporation. This year in Colombia UCOAM



completed the Coello Canal and Irrigation project, a portion of which is shown above. Also in Colombia this company is working on 500 kilometers of highway. Pictured here is a scene of grading work being done on the road from Armenia to Calarcá.



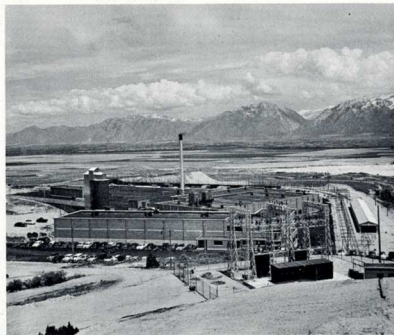
PERU High in the Andes at altitudes of over two miles lies the vast Toquepala mining property controlled by Northern Peru Mining and Smelting Company, a subsidiary of American Smelting and Refining Company. Utah Peru Inc., our wholly owned subsidiary, was retained to provide engineering services and to prepare a cost estimate for



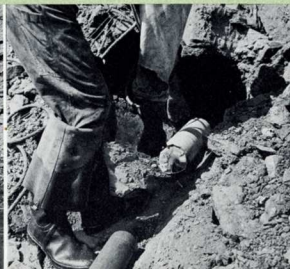
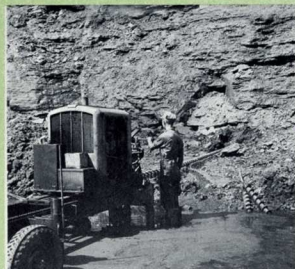
the development of this extensive copper deposit. Utah Co. of the Americas assembled the equipment and has constructed the facilities for the Marcona Mining Company at San Juan, Peru. Pictured here is the installation of the iron ore crusher which is one of the largest of its type in the world.



Left to right: Plant built for use by United States Smelting, Refining and Mining Company at Lark, Utah; pipe installation at Kennecott's tailings pond near Garfield, Utah; aerial view of Claremont Management Co.'s Critical Housing project, comprising 1,226 housing units and occupying over 400 acres of land at San Diego, California. We own a 37 1/2 % interest in the Claremont Management Co.



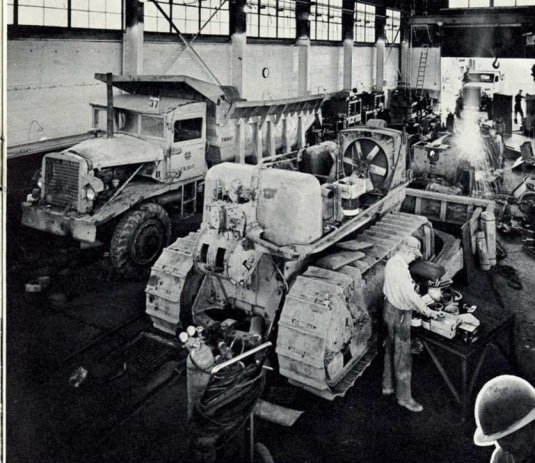
Utah Construction Company's coal stripping operation near Ozark, Arkansas showing from left to right—drilling the overburden, loading the blast hole with dynamite, tamping, and firing the shot. Removal of the broken overburden is done by an 18-yard electric shovel shown above. After stripping this high-grade metallurgical coal is transported by truck to the tipple where it is shipped by rail to The Colorado Fuel and Iron Corporation at Pueblo, Colorado.





Left: Large crane placing concrete on the upstream face of Lower Bear River Dam project for Pacific Gas and Electric Company in Amador County, 120 miles east of San Francisco, California. This is one of two dams storing water for the production of electric power.

Right: Winter scene of Western Pacific train passing through Tunnel No. 6 approximately 12 miles north of Greenville, California. This picture was made while Utah Construction Company was placing a concrete lining in the tunnel without interruption of train service. It is interesting to note that while the train is negotiating the horseshoe bend, engine and caboose are visible going in opposite directions.



Inside the Salt Lake Machine and Repair Shop where major overhauling of equipment is performed. The company has a similar shop and yard at Richmond, California, and a smaller yard at Denver, Colorado. At these sites equipment is stored and made ready for its next assignment.



ARTHUR ANDERSEN & CO.
ACCOUNTANTS AND AUDITORS

405 MONTGOMERY STREET
SAN FRANCISCO 4

To the Board of Directors of
Utah Construction Company:

We have examined the consolidated balance sheet of UTAH CONSTRUCTION COMPANY (a Utah corporation) and subsidiary companies as of October 31, 1953, and the related summaries of consolidated income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and summaries of consolidated income and retained earnings present fairly the financial position of Utah Construction Company and subsidiary companies as of October 31, 1953, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

San Francisco, California
December 15, 1953

UTAH CONSTRUCTION COMPANY AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet—October 31, 1953

Assets

CURRENT ASSETS:

Cash		\$ 3,493,466	
Receivables—			
Construction accounts and retained percentages	\$ 3,531,163		
Other	1,626,245	5,157,408	
Inventories—			
Construction materials and supplies	\$ 1,752,520		
Iron ore and coal, at cost or net realizable value	284,444	2,036,964	
Total current assets			\$10,687,838

INVESTMENTS AND OTHER ASSETS:

Capital stocks and receivables of affiliated companies engaged in foreign operations	\$ 3,159,837		
Capital stocks of affiliated and other domestic companies	1,193,395		
Interest in joint ventures	692,402		
Facilities on construction projects (less accumulated amortization of \$839,571)	815,014		
Prepaid expenses, deposits and miscellaneous	652,036		
Land held for investment and sale	319,733	6,832,417	

PROPERTY, PLANT AND EQUIPMENT:

Classification	Cost	Accumulated Depreciation and Amortization	Net
Land	\$ 33,800	\$ —	\$ 33,800
Buildings, mining properties and development expenses	4,735,342	2,988,975	1,746,367
Equipment	14,133,638	8,395,108	5,738,530
Furniture and fixtures	231,016	101,720	129,296
	<u>\$19,133,796</u>	<u>\$11,485,803</u>	<u>\$ 7,647,993</u>
			<u>\$25,168,248</u>

Liabilities

CURRENT LIABILITIES:

Current installments of term bank loan, notes and contracts payable—due within one year	\$ 425,040	
Accounts payable	2,480,676	
Accrued payrolls, general taxes and other liabilities	674,331	
Current portion of provision for Federal income taxes	950,000	
Total current liabilities		\$ 4,530,047

LONG-TERM LIABILITIES:

4% term bank loan, due in annual installments of \$300,000		
with balance payable June 16, 1957	\$ 2,400,000	
Non-current installments of notes and contracts payable	102,240	
Non-current portion of provision for Federal income taxes (partially applicable to recorded income from joint ventures not taxable until subsequent years)	439,227	2,941,467

STOCKHOLDERS' EQUITY:

Capital stock, par value \$10 per share—		
Authorized — 175,510 shares		
Issued and outstanding — 175,507½ shares	\$ 1,755,075	
Retained earnings (\$8,244,925 restricted under bank loan agreement)	15,941,659	17,696,734
		<u>\$25,168,248</u>

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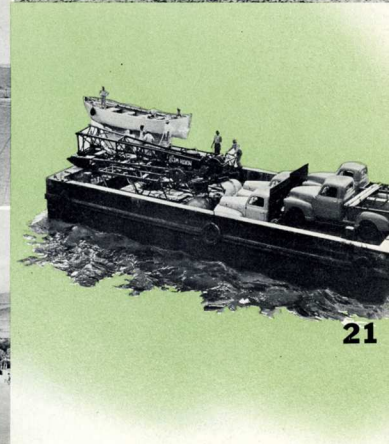
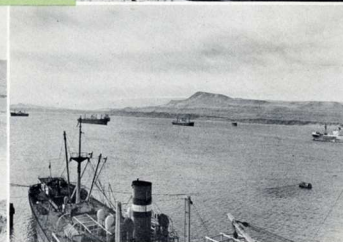
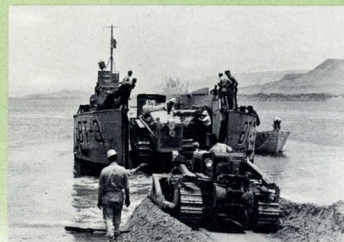
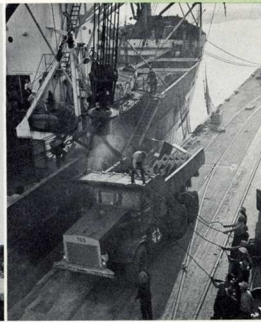
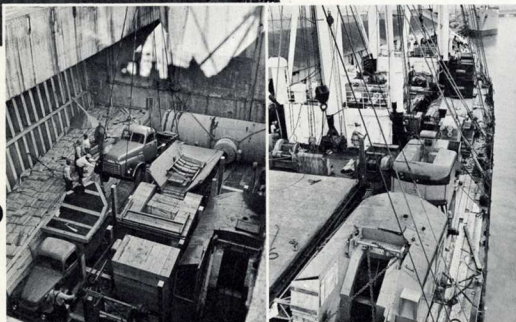
The Invasion

In the early days of 1953 Utah Construction Company joined with Cyprus Mines Corporation, a distinguished name in mining, in the formation of a new company—Marcona Mining Company—for the purpose of developing the extensive Marcona iron ore deposit. The new company employed Utah Co. of the Americas, a wholly owned subsidiary of Utah Construction Company, to construct the facilities and to bring the mine into operation.

To make this achievement possible it was first neces-



sary to transport many thousand tons of material and equipment to this isolated area. Careful planning and precise scheduling were required. Materiel flowed from the factories and warehouses by rail and highway to the seaports. Ships loaded in Portland, San Francisco, San Pedro, Mobile, and New York with cargoes carefully coordinated to arrive when needed, and these ships, providing the essential life line, converged upon the isolated Bay of San Juan during the early months of this year.

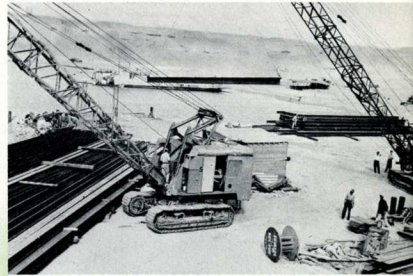


Construction Records Broken

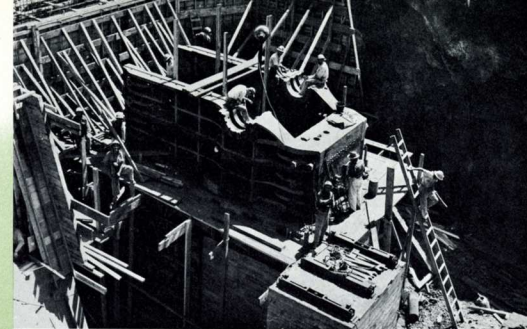
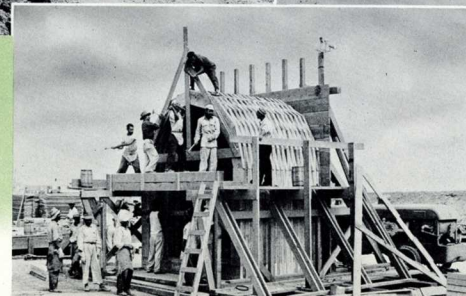
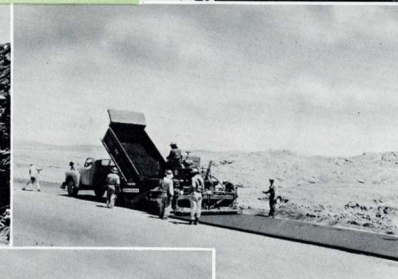
With the establishment of the beachhead, an efficient team of U. S. technicians supplemented by a fast expanding army of local Peruvians moved rapidly with a common goal—"ore must move by May." The result was a record for accelerated construction never before seen in this part of the world. These men were dedicated to proving that sometimes the impossible can be accomplished even sooner.

Steel fingers emerged from the water, soon to provide support for a reinforced concrete shiploading dock extending 1,000 feet into the Bay of San Juan.

At both the mine and the port steel towers and conveyors were erected to provide for efficient handling of the millions of tons of iron ore to come from the large deposits at Marcona.



The 17 mile road providing the vital link between the mine and port was graded and surfaced to accommodate the specially designed 60 ton ore hauling trucks. A crusher was installed at the mine to reduce the ore to proper size for feeding to U. S. blast furnaces. This installation is one of the largest of its type in the world today. Stockpiling and screening equipment were erected at both the mine and the port.

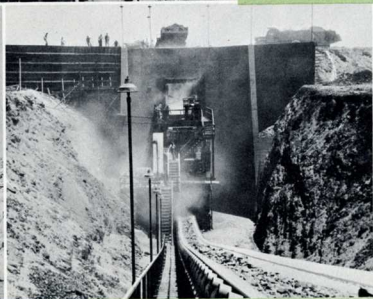




Operation Iron Ore

By May 1 of this year little more than 3 months after the arrival of the first contingent of U. S. technicians, iron ore commenced moving aboard the first ship. On May 8 this ship, the S. S. LIBERTAD, completed loading and accompanied by the cheers of tired but happy workers, slowly pulled away from the dock for the long trip through the Panama Canal to the United States.

Ore is now moving steadily from the mine into expanding stockpiles at the dock. Today ships are loaded in 8 to 10 hours with 20 scheduled for departure each month destined for Gulf and East Coast steel mills.



The construction feat performed at San Juan by Utah Co. of the Americas will long be remembered throughout Latin America as a truly magnificent achievement. Louis Buchman, who prior to his retirement was Vice President and the very able manager of the world's largest open-pit mine for Kennecott Copper Co., went as a consultant to inspect the Marcona installations. Surveying the results of the initial construction program, Mr. Buchman was prompted to write:

"I marvel at the accomplishment!"

As a result of this feat today Marcona Mining Company is engaged in a large scale profitable mining venture which is rapidly assuming its place as an important and permanent factor in the economy of Peru and the United States.



UTAH CONSTRUCTION COMPANY

BOARD OF DIRECTORS

MARRINER S. ECCLES, *Chairman*
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L. S. COREY
L. T. DEE
GEORGE S. ECCLES
W. H. HARRIS
E. W. LITTLEFIELD
SHEPARD MITCHELL
P. L. WATTIS

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ALLEN D. CHRISTENSEN,
Executive Vice President and General Manager
E. W. LITTLEFIELD,
Vice President, Secretary and Treasurer
C. S. DAVIS, *Vice President*
FRANK M. KELLER, *Vice President*
GEORGE R. PUTNAM, *Vice President*

EXECUTIVE COMMITTEE

MARRINER S. ECCLES
L. S. COREY
ALLEN D. CHRISTENSEN
E. W. LITTLEFIELD